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Costs are Climbing

H. B. Howell
Iowa State College

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Costs Are Climbing

Here's an Analysis of the 1946 Iowa Farm Business Association Records

by H. B. Howell

LAST YEAR—1946—was a banner farm income year for the members of the Iowa Farm Business Associations. Their net farm income averaged \$11,682. That is \$5,024 more than in 1945. It is \$8,045 over the prewar level of 1939-40.

Two big reasons lay behind this sharp rise in farm earnings: We had bumper crops in 1946; and prices shot skyward after price ceilings came off.

The farms for which these records were kept were above state average in acres. They also were above average in size of business and net income. The operators were above average in ability.

But these records do tell us what the trends are. And they tell us what changes and adjustments above-average farm operators are making.

The chart tells us how income, costs and profits per acre stack up on these farms now and in the days before the war: Operating expenses shot up 129 percent. Land and capital charges climbed 76 percent. Management return or true profit went up 299 percent!

Farmers should be worried about these rising costs. Despite the high profits which now far outrun costs—costs actually are going up faster than production.

The table (opposite page) shows that figured on the basis of 1939-40 prices, these 647 farmers actually had about \$1.75 less per acre for land, interest charges, operator's labor and profit.

These records also tell us something else. A rising price level makes it easier for all farmers to make money. But under these conditions the more efficient farmers make even greater gains than the less efficient ones. The spread between high and low income farms last year became even wider. Farms that have not expanded production relative to expense will get squeezed first when prices start to come down.

Distribution of Gross Profits Per Acre 1939-1946

